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SECURITY INFORMATION

3 October 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Dutch will refuse to relinquish New Guinea in discussions with Indonesia: The Dutch Foreign Minister has confidentially informed the American Ambassador at The Hague that the cabinet has no intention of giving up control over Netherlands New Guinea. He said that the Dutch proposal for resuming negotiations on the Union statute would contain a face-saving formula making it "just possible" for the Indonesians to discuss this controversial issue. (S The Hague 437, 30 Sept 52)

Comment: In a joint communique on 1 October the Netherlands Foreign Ministry and the Indonesian High Commissariat announced their mutual willingness to resume discussions.

2. USSR warns Denmark on granting bases: The Soviet Union has made another in a long series of attempts to deter Denmark from further participation in NATO.

In a 1 October note to the Danish Minister in Moscow, the USSR warned against Denmark's granting military bases to foreign troops as "a threat to the security of the Soviet Union," and laid "full responsibility for any possible consequences for such a policy" upon the Danish Government.

While Denmark has not granted any bases to the United States, the note demonstrates Soviet sensitivity to Danish plans to construct airfields in accordance with NATO specifications and is in keeping with Communist propaganda against the "provocative nature" of Denmark's permitting Bornholm to be used in conjunction with the NATO maneuvers. (Factual data from: U Copenhagen 399, 2 Oct 52)

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SOVIET UNION

3. High-ranking Soviet officials attend Chinese reception in Moscow: On the third anniversary of the Chinese People's Republic, the Chinese Ambassador in Moscow, Chang Wen-tien, gave a reception which was attended by Politburo members Mikoyan, Bulganin and Kosygin and other ranking officials including Minister of Foreign Affairs Vyshinsky, Minister of War Vasilevsky, and Panyushkin, Ambassador to Communist China. Members of the visiting Chinese delegation attended, but there was no mention of the Mongolian Minister of Defense, who remained in Moscow after the departure of the Mongolian Premier and Deputy Foreign Minister. (R FBIS Moscow, 1 Oct 52)

Comment: The presence of three Politburo members may reflect the importance attached to current Sino-Soviet relations. In 1951, two Politburo members attended a similar reception but none were reported at the Chinese celebration in 1950.

EASTERN EUROPE

4. Members of Slovak "White Legion" tried for espionage and terrorism: The Slovak radio reported Wednesday that eight members of the "anti-State organization 'White Legion'" were being tried in Kosice on charges of organized terrorism and espionage "in the service of the American warmongers" in various districts of Eastern Slovakia. One of the accused stated that he acted on the incitement of foreign broadcasts carried on the "White Legion" radio. (R FBIS Bratislava, 1 Oct 52)

Comment: The "White Legion" is a strongly anti-Communist Slovak resistance movement whose main activity to date appears to consist of a twice-a-week Slovak-language broadcast beamed into Czechoslovakia from Austria. These broadcasts resumed last April after a lapse of about eighteen months, and monitored broadcasts have been heard to urge the Slovaks to "do everything possible to hinder police investigations" and to avoid certain named Communist agents.

The coincidence between this trial and the gunfight on 21 September between two Czech militiamen and two "American agents" can be expected to be fully utilized in the Czech Government's campaign to convince its people of the need for

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increased security measures against the "infiltration of enemy espionage and sabotage agents."

5. Swedish iron ore exports to Czechoslovakia cease: Swedish exports of iron ore to Czechoslovakia stopped on 2 October when the Czech deficit reached the 33,000,000 kroner limit provided in the current Swedish-Czech price agreement. According to a broadcast from Stockholm, there is now no Swedish iron ore destined for Satellite countries, exports of iron ore to Poland having been stopped several days ago.

Although Swedish and Polish trade delegates are currently discussing coal prices in Stockholm, no decision has yet been reached. (R FBIS Stockholm, 2 Oct 52)

Comment: A prolonged stoppage of Swedish iron ore exports to Orbit countries could seriously affect industrial development and Orbit defense production. There is little likelihood, however, that the cessation of Swedish iron ore exports to Czechoslovakia or Poland is more than a temporary measure. Recent Czech imports of iron ore from India and China, together with new blast furnaces adapted to the lower grade ore received from the USSR, may be reducing Czechoslovakia's dependence upon Swedish iron ore. Czechoslovakia normally imports much less iron ore from Sweden than does Poland, but previously has been able to obtain the necessary high-grade ore only from Sweden.

6. Rumanian-Yugoslav relations again deteriorate: The American Legation in Bucharest reports that the latest development in the current Rumanian diplomatic barrage against Yugoslavia was a 30 September note protesting alleged border violations by nine Yugoslav aircraft, all but one of them military.

The Yugoslav Charge in Bucharest believes that Rumanian press diatribes against Tito have also increased in recent weeks. (C Bucharest 103, 26 Sept; R Bucharest 106, 1 Oct 52)

Comment: Four protest notes were exchanged between Yugoslavia and Rumania during September, each government sending two. The first was a Yugoslav accusation that the Rumanians fabricated provocations against Yugoslav diplomats; the remainder were protests against border incidents and violations. The Yugoslavs have also taken over complete control of the Iron Gate Canal towing operations because of

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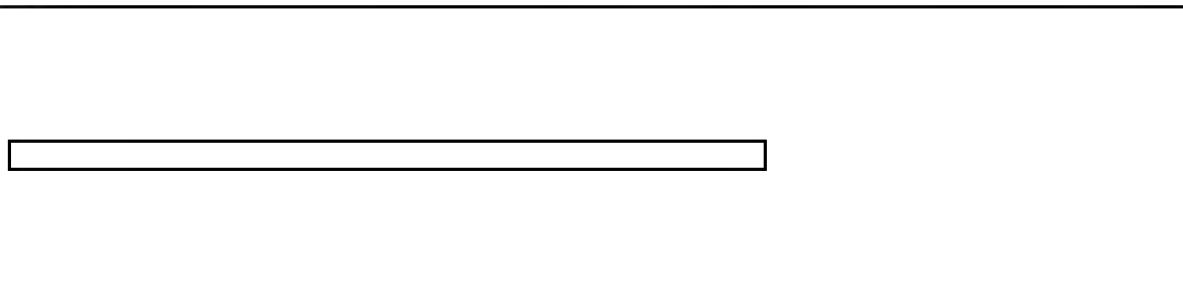
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Rumanian failure to pay the Yugoslav share of tolls which Rumania collected during joint operation by the two countries.

Although relations have continued to be tense and unfriendly between the two countries, there was an apparent relaxation in Rumanian propaganda during the late summer, perhaps due to Bucharest's preoccupation with internal affairs. Relations now appear to be getting back to "normal," paralleling, to a lesser degree, those between Bulgaria and Yugoslavia.

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8. Rumanians schedule Assembly elections: Rumanian newspapers on 1 October listed the members of a Central Electoral Commission to prepare for the elections of deputies to the Grand National Assembly on 30 November. The Commission Chairman is Mihai Mujic, a top official of the General Confederation of Labor; its Vice Chairman is Vasile Musat, First Secretary of the Union of Working Youth; and the Secretary is Avram Bunaciu who represents the state and local government employees' union. (R FBIS Bucharest, 1 Oct 52)

Comment: Under the terms of the recently adopted constitution, deputies to the Grand National Assembly will be elected to four-year terms on the basis of one deputy for every 40,000 inhabitants. The present Assembly was elected for four years on 28 March 1948, shortly after the old constitution was adopted, and extended its term until the new constitution was approved. The People's Democratic Front, which has led the "broad public discussion" of the draft constitution, will now conduct the Assembly election "campaign."

The appearance of Avram Bunaciu on the Commission is noteworthy, since he was relieved of his post as Deputy Minister of Foreign Affairs during the extensive purges of the past summer.

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9. Anti-Western propaganda campaign expected in Yugoslavia: A foreign affairs writer for the large government-controlled newspaper, Politika, has informed a US Embassy officer that he expects a strong anti-Western propaganda campaign in Yugoslavia in the near future. The writer interpreted the expected campaign as a means of strengthening internal policy, which is considered by the Communist Party leadership to be moving too far toward the West.

Ambassador Allen comments that he does not expect the Western powers to be attacked at the November party congress, although there is certain to be a campaign against bourgeois Western influences. This may lead to another complaint about American information activities in the country. (C Belgrade 458, 1 Oct 52)

Comment: Yugoslav Communist leaders, including Tito, have not hesitated on past occasions to make public attacks on the policies of the Western powers. In most cases, these attacks appeared to be for local Communist consumption and aimed at retaining the support of the rank and file of the party. While such attacks have been minimized for a long time now, they might well be resumed for the same reason at the party congress.

10. Plan to assassinate Tito while in England reported: A Soviet-inspired attempt to assassinate Marshal Tito allegedly will be made by a Croat group during his "forthcoming" visit to England.

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Comment: This report has no confirmation. There is no doubt, however, that Croatian exiles are foremost among the many who would be involved in an assassination attempt. Tito accepted the British invitation eagerly, but British Foreign Secretary Eden has announced that the visit will not take place until after the coronation of Queen Elizabeth next June.

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FAR EAST

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12. Peiping claims "extermination" of 2,000,000 guerrillas:  
A Chinese Communist leader, surveying the regime's accomplishments on its third anniversary, asserts that "over 2,000,000 local bandits" have been "exterminated" and that the anti-Communist guerrilla movement in China is "finished." (R FBIS Peiping, 30 Sept 52)

Comment: In mid-1951 Peiping claimed to have "exterminated" 1,000,000 guerrillas. Peiping now claims to have suppressed, in the past 16 months, more than twice as many guerrillas as were estimated to exist. This claim is explained in part by the use of "extermination" to mean simply dispersal, so that any given group may be "exterminated" several times, and in part by Communist exaggeration of the problem in order to receive proportionate credit for solving it.

Although the guerrilla movement in China is not "finished," it currently poses no serious threat to the regime as the number of guerrillas is now estimated at less than 100,000 men.

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13.

More socialized agriculture reported in China: The Minister of Agriculture in Peiping stated that more than ten collective farms and over 4,000 producers' cooperatives have been set up in China. Fifty-two mechanized state farms, admittedly still in an experimental stage, have been formed in the past three years to "educate peasants in collective farming." Two-fifths of China's peasants have joined various forms of mutual-aid teams. (R FBIS Peiping, 25 Sept 52)

Comment: These figures show a large increase in the regimentation of China's rural population over the past year. In late 1951 or early 1952, according to Communist statistics, there were only two collectives, about 200 producers' cooperatives and 45 mechanized state farms. There are also 40 percent more mutual-aid teams now. An early 1952 State Administration Council directive stated that 80 to 90 percent of the peasants in the old liberated areas, such as Manchuria and North China, should be organized by 1953, and in the rest of China by 1955.

#### SOUTHEAST ASIA

14.

Decreased military activity in Malaya continues: The week ending 18 September was one of the quietest since the beginning of the emergency with only 37 Communist-inspired incidents. (S Singapore Joint Weeka 39, 26 Sept 52)

Comment: Terrorist incidents have decreased from a weekly average of 99 in May to 45 in September.

Captured documents have directed a relaxation of terrorist activity to conserve Communist military resources and greater attention to the indoctrination and organization of the masses. These documents point out that some military activity and economic sabotage, however, must continue.

15.

Philippine Foreign Office surprised by Quirino's conference proposal: Philippine Undersecretary for Foreign Affairs Neri recently informed the American Embassy in Manila that his office had not been notified in advance of President Quirino's announcement calling for a conference of Southeast Asian countries next year. Neri stated that his office is fully cognizant of the "groundwork" required before such a move is seriously contemplated. (C Manila 981, 1 Oct 52)

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Comment: On 25 September Quirino announced that he was taking steps to convoke another regional conference in May 1953. The American Embassy believes that Quirino's announcement may have been prompted in part by political motives.

16. Indonesian Prime Minister discusses internal security situation: Prime Minister Wilopo stated on 30 September that, except for west Java, security conditions in Indonesia are "good." He admitted, however, that "emergency operations" are still in progress in the South Celebes and that disorders continue in Central Java.

Answering parliamentary allegations that the Indonesian Socialist Party is trying to dominate the Defense Ministry, Wilopo said he had found no proof that the Socialist Party is gaining control of the Ministry. (R FBIS Djakarta, 1 Oct 52)

Comment: Severe parliamentary criticism of the Defense Ministry for incompetence and domination by the Socialist Party has given rise to reports that the Prime Minister and his National Party would not support the anti-Communist Minister of Defense on an expected nonconfidence motion. Wilopo's statement, generally defending progress toward internal security and refuting charges of Socialist control of the Defense Ministry, indicates that he will continue to support his minister.

#### SOUTH ASIA

17. Indian official supports Afghan Pushtoonistan campaign: In a conversation with an American Embassy official on 30 September, the Indian Acting Foreign Secretary defended Afghanistan in its Pushtoonistan campaign. When the American official urged that the Afghan Government drop the issue, the Foreign Secretary answered that India supports the Afghan position on the matter, and is unwilling to ask them to stop their propaganda and "other activities." (S New Delhi 1398, 1 Oct 52)

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NEAR EAST - AFRICA

18. Tunisian budget crisis resolved: The French Resident General in Tunis told the American Consul General that he had obtained the Bey's approval on 29 September of the 1952-53 Tunisian budget by indulging in "rug merchant tactics." The necessary countersignature was secured when the Resident agreed to double the Bey's household expense allowance.

Although the French had contemplated demanding certain quid pro quo's before increasing the Bey's stipend, the Resident abandoned the idea in order to avoid "tarnishing the public relations value of French generosity" in the UN General Assembly. (C Tunis 124, 30 Sept 52)

Comment: The Tunisian Government has operated since 1 April under a six-month emergency budget which could not legally be extended, and the French were apprehensive that the Bey's approval could not be obtained before the 1 October deadline.

Some French officials in the Residency General had suggested that, for increasing the Bey's allowance, the Resident secure the necessary approval of some of the administrative reform decrees rejected by the Bey in early September.

19. United Nations declaration of incompetency allegedly would settle Tunisian impasse: According to the French Resident General in Tunisia, if the General Assembly were to vote itself incompetent, the Tunisian problem could be solved quickly. Collapse of Neo-Destour hopes would end the nationalists' opposition to the reform program, the Bey would resume collaboration with the Residency General, and decrees instituting legislative, financial and municipal reorganization could be effected at once, and elections scheduled for early April. (C Tunis 124, 30 Sept 52)

Comment: The Resident General is overoptimistic in this matter, inasmuch as the Neo-Destour leadership has frequently declared that the French proposals for reform are no real step toward autonomy and, therefore, are unacceptable. Because nationalist strength has increased considerably during the past year, a more probable reaction would be increased nationalist agitation with a possible attempt to gain autonomy through insurrection.

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WESTERN EUROPE

20. East German expropriation decrees reported extended to  
families of refugees: [redacted]

25X1C [redacted] East German decrees providing for the seizure  
of property of persons who have fled or who are preparing to  
flee East Germany have been made retroactive to May 1945 by  
secret directives. Under the same directives, families of and  
persons who had lived with refugees are suffering eviction from  
their homes and the loss of furniture and business property.

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American officials in Berlin comment that the extension of  
the expropriation decree to persons associated with refugees  
is intended to be a strong deterrent to flight from East Germany  
and dramatizes the fact that the retention of private property  
is purely a matter of state decision. (C Berlin Unnumbered,  
27 Sept 52)

21. [redacted]

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22. [redacted]

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23. Lagging Austrian coal imports concern American officials:

After discussions in Vienna with Austrian authorities, Mutual Security Agency officials in Paris are deeply concerned over lagging Austrian imports of coal from Poland. Attributing the low level of Austrian procurement to inadequate credit policies and to lack of storage space, these officials warn that failure to buy Polish coal now may increase Austrian dependence on American aid at a time when assistance funds are much reduced. They suggest that it might be advisable for the Austrian Government to provide credit to maintain stocks at least at the present levels. Meanwhile, Austrian officials have indicated an intention to reduce stockpiles still further to minimize the amount of working capital tied up in coal inventories. (C MSA SRE Paris to Vienna REPTO A 37, 24 Sept 52)

Comment: The Austrian Government has been under strong pressure from MSA officials in Vienna to impose stronger credit restrictions to curb inflation.

Failure of the Austrians to exploit their favorable coal balance with the Poles may also be due to recent decentralization of coal procurement procedures and to the Austrian Government's belief that a large credit balance will improve its bargaining position in future trade negotiations. The Austro-Polish trade agreement is scheduled for renewed negotiation this fall, at which time deteriorated coal stocks would be a distinct disadvantage to the Austrians.

24. Policy differences seen developing among Western powers on Austrian treaty: The American Ambassador in Vienna reports that Foreign Minister Gruber, the French, and to a lesser extent the British representative, are prepared to accept the old draft treaty for Austria on the assumption that the United States will "shoulder the financial burden."

While all participants agree that the abbreviated treaty has "pushed the Russians toward acceptance of the longer draft," Foreign Minister Gruber and the French are anxious for a conference in which the Russians could state their terms. (S Vienna 888, 30 Sept 52)

Comment: Under the terms of the original draft treaty, the Russians would relinquish claims to German assets in eastern Austria in return for Austrian payment of \$150,000,000. The British and French Governments insisted at the time the abbreviated draft was introduced that it should not preclude a return to the old draft. The Austrian Foreign Ministry also

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appears to be in process of amending its earlier views that concessions previously made to the Soviet Union are no longer acceptable.

25. Coal-Steel High Authority opposes closer ties with Council of Europe: According to Ambassador Draper, the High Authority of the Coal-Steel Community (CSC) is opposed to the British-originated proposal of the Council of Europe that the two international bodies to be tied more closely together. The High Authority's opposition does not stem from a desire to keep the British "at arm's length," but rather from the belief that the proposed ties are an attack on the CSC's sovereignty.

Draper states that if the CSC Assembly should accept certain provisions of the proposal, the High Authority presumably would appeal to the Community's Court on the ground that the CSC treaty had been contravened. (C Paris Polto 380, 30 Sept 52)

Comment: French Socialist leader Guy Mollet has threatened that the French Socialists will vote against ratification of the EDC treaty if Germany and Italy continue their opposition to closer ties between the CSC and the Council of Europe.

The latest version of the British proposal would limit participation in CSC affairs by non-members of the Community to the right to speak but not to vote.

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27. New nationalistic bloc in French National Assembly reported:  
The American Consul in Strasbourg reports that Gilbert Grandval, the French Ambassador to the Saar, is believed to have ambitions of displacing De Gaulle in a future organization of members of the wartime resistance. Grandval reportedly has strong connections in De Gaulle's Rally of the French People and is associated with Popular Republican Georges Bidault and Socialist Robert Lacoste in leading a new bloc which now controls 140 deputies in the National Assembly.

The strategy of this bloc reportedly is to promote a multi-partisan movement against Premier Pinay in two or three months. (S Strasbourg 135, 1 Oct 52)

Comment: Although no other reports of such a bloc have been received, the information is consistent with the known aspirations of many centrist and leftist deputies reacting against the return to power of many of France's prewar statesmen. These deputies can be expected to make a strong bid this fall to overthrow Pinay, by exploiting the opposition to EDC as well as the government's price and budgetary policies.

28. New four-power talks could delay French ratification of EDC:  
The American Ambassador in Paris considers it probable that France would press for a four-power conference on Germany if Russia should propose simultaneous discussion of a German peace treaty by the four powers and of election conditions by East and West Germany.

The Ambassador points out that if such a proposal were to be made on the eve of the French ratification debates on the EDC, it would afford opponents of EDC a "golden opportunity" at least to delay action on ratification. (C Paris 1978, 1 Oct 52)

Comment: A proposal for such simultaneous discussions was made recently by the East German Volkskammer delegation to Bonn, and appears to be a Soviet attempt to hinder ratification of the contractual agreement and the EDC treaty.

French objections to the 22 August Soviet note were based on Soviet reiteration that peace treaty talks should precede discussions on elections and the formation of an all-German government.

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LATIN AMERICA

29. Argentine student strike may be exploited by army: A strike of 1,200 Buenos Aires engineering students is reportedly spreading to other university schools in the cities of Buenos Aires, Eva Peron, Cordoba, and Rosario. The strike began on 30 September, allegedly to protest government interference in the engineering school, but obligatory Peronista political courses are also reportedly involved.

Some observers think that if the unrest should spread, the army, which is closely observing student moves, may use the student strikes as a springboard for a "now or never jump." (C Buenos Aires 230, 1 Oct 52)

Comment: Peron's reported reneging on a promise to re-establish the prestige of the armed forces has increased the volume of rumors concerning a possible revolt, but no concrete plans or leaders have been reported. The government is maintaining strict security measures.

30. Spokesman for Ibanez discusses US-Chilean relations: After the Chilean Congress declares Carlos Ibanez President-Elect, the Ibanista press will cease its anti-US campaign, according to Edecio Torreblanca, a responsible Ibanez spokesman. Torreblanca also said that the mines would not be nationalized and that Chile would not resume relations with the USSR.

Ambassador Bowers explained what trade with the Soviet Orbit in strategic materials would mean to Chile in view of the Battle Act. He also stressed that the US-Chilean military agreement had not been forced on Chile and that, since it is more to Chile's benefit, the US only wishes to know soon the incoming administration's intentions regarding the agreement. Torreblanca admitted that some of these considerations had not occurred to Ibanez and that the advantages of the military agreement and US financial assistance are greatly desired. (S Santiago 120, 26 Sept 52)

Comment: Torreblanca's comments are considerably more moderate than those expressed by other apparently self-appointed but unrestrained spokesmen for Ibanez. Since the election Ibanez has reportedly been trying to curb unauthorized statements of his future policies.

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31. New disturbances break out in Venezuela: According to incomplete reports from Caracas, disorders which broke out at an army barracks in Maturin, near the eastern oilfields, on 1 October were quickly "smothered," apparently by federal police.

On the same date some workers at a nearby oilfield failed to report for work, but no connection is known to exist between this and the military uprising. There is some fear of a general strike, although conditions at other eastern oilfields are normal. (C Caracas 141 and 146, 1 Oct 52)

Comment: Further outbreaks can be expected between now and the 30 November constituent elections. Embassy interviews last week with prominent officials and private citizens suggest that junior military officers and aroused civilians, rather than the outlawed Democratic Action Party alone, may now be attempting to force changes in government policy or in the government itself.

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3 October 1952

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TO THE CURRENT INTELLIGENCE DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SOUTHEAST ASIA

1. Indonesian "national" Communists report possible Socialist coup: Leaders of Partai Murba, the so-called "nationalist" Communist party, report a "strong rumor" in Djakarta military circles that the Indonesian Socialist Party is planning a coup d'etat, working through key persons in the army and the government. Socialist plans for a coup have been reported to President Sukarno by Colonel Bambang Supeno. [REDACTED] FOR CRITICAL SECURITY REASONS this report is not to be further transmitted within the United States, or beyond the borders of the United States, without the express permission of the releasing office.)

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Comment: The rumor of a Socialist coup appears to be entirely unreliable although the existence of the rumor is understandable.

Colonel Bambang Supeno failed to obtain the position of acting Chief of Staff of the armed forces, a job which he very much desired. He therefore wrote a letter to President Sukarno and apparently also submitted a copy of the letter to the defense committee of parliament criticizing the policies of the Defense Ministry. In the subsequent parliamentary discussion inspired by the letter, leftists alleged that the Defense Ministry is dominated by the Socialist Party. The rumor of a Socialist coup apparently has arisen from this welter of charges and criticisms.

NEAR EAST - AFRICA

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3. Reduction in American visits to Belgian Congo urged: The American Embassy in Brussels recommended on 30 September that official visits of Americans to the Belgian Congo be reduced to a minimum and referred to the Embassy for approval. Frequent visits of American officials tend to increase Belgian suspicions concerning United States "intentions" toward the Congo. Representatives of Belgian firms there have also complained to their home offices about the loss of working time caused by important visitors, both Belgian and American. (C S/S Brussels 344, 30 Sept 52)

Comment: American motives and interest in the Congo's strategic mineral production have been the object of Belgian suspicions since World War II. The chronic resentment against foreign attention to Congo affairs and alleged American "anti-colonialism" on African questions may be moving into a more acute stage.

#### WESTERN EUROPE

4. East German bourgeois parties facing uncertain future: Reports from East Germany of declining membership and restricted activity of the Liberal Democratic Party (LDP) are indicative of the uncertain future of the bourgeois political parties in the East Zone in general.

According to reliable information, LDP membership was down to 144,000 after the loss of 1,300 members in July. Possibly to prevent further defection, members of the party hierarchy have since 1 September been forbidden to visit

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West Berlin, and party members may visit relatives there only with the consent of the party secretary-general. Although plans for increasing activity in West Germany are being formulated, the party's West German operations have been "very limited" since last spring.

The reorganization of the East German Government and the corresponding concentration of power and positions in the SED has cost all bourgeois parties heavily. Although the performance of assigned roles will probably keep their organizations alive for some time, these parties now exercise little influence on East German affairs. (Factual data from: S/ Sensitive Frankfurt Sitrep 37, 30 Sept 52)

LATIN AMERICA

5. Brazilian president reportedly will not attend Chilean inauguration: The Peruvian Foreign Minister informed the American Ambassador in Lima on 1 October that President Vargas of Brazil would not go to the Chilean inauguration, but intended instead to send the Brazilian vice president. (S S/Lima 117, 1 Oct 52)

Comment: The Peruvian and Brazilian Foreign Ministries have expressed apprehension that "president-elect" Carlos Ibanez of Chile may be planning some anti-United States project, but believe that his plans are contingent upon Vargas' attendance at the inauguration.

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